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RECESSION - RECOVERY WATCH...

**A Bimonthly Report
Designed to Assist in the Evaluation
of Current Business Conditions**

Published by the Center for International Business Cycle Research,
Columbia Business School, Columbia University, New York, NY 10027

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Vol. 7 No. 5
October 1985

Summary

Rising growth rates in the leading indexes are spelling an end to the growth recession that has had a grip on the economy since mid-1984. A new leading index that measures the scope of the trend in early-warning indicators across economic sectors supports this finding. So too does a new calculation of real GNP growth in the third quarter, which puts it at 3.9%, well above the official 3.3%. Comparisons of the current three-year-old recovery with recoveries that lasted four years or more have become relevant. They show that the current recovery has a better than average record in terms of employment and consumer spending, whereas the recovery in output has fallen a bit short of the average. Inflation has pushed up the price level about as much and about as fast as usual in a long-lived recovery.

Growth Recession: Final Stage

Signs of an end to the growth recession that began in the summer of 1984 have continued to emerge. The 3.3% growth rate in real GNP in the third quarter of 1985 is not quite conclusive, for various reasons, but is surely a step in the right direction. The growth rates in the leading indexes have been moving up, for the most part, and this suggests that faster growth in output, income, employment and sales lies ahead. A new diffusion index of leading indicators supports this expectation (see below). Comparisons with the average patterns of (a) the three previous growth recessions and (b) the seven previous real recessions clearly put the current performance in a class with the former group rather than the latter (Chart A). The business cycle expansion that began in November 1982 can enter its fourth year with more confidence than it entered its third.

CHART A.

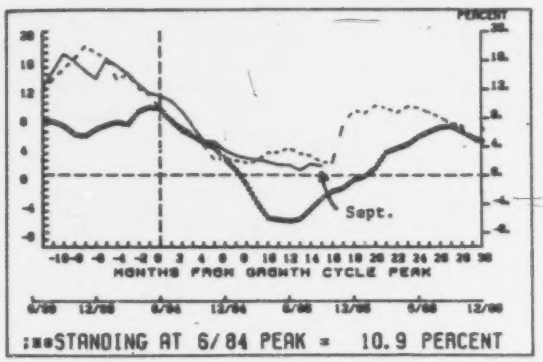
Current Slowdown Compared with Three Growth Recessions and Seven Real Recessions

——— Current slowdown, from June 1984

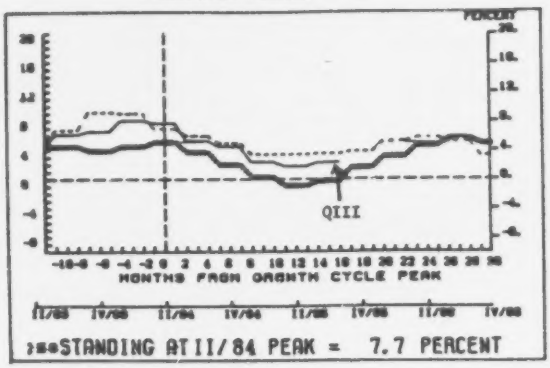
——— Average, three growth recessions (1951, 1962, 1966)

····· Average, seven real recessions (1948, 1953, 1957, 1960, 1969, 1973, 1980)

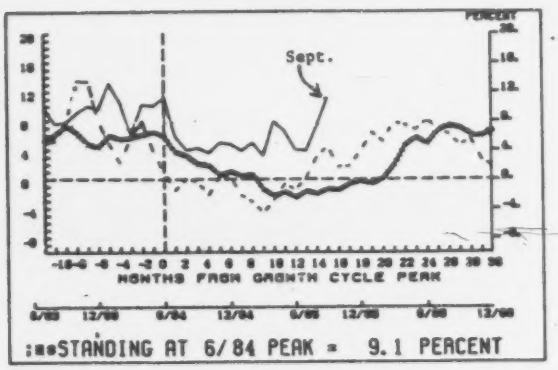
INDUSTRIAL PRODUCTION, GROWTH RATE



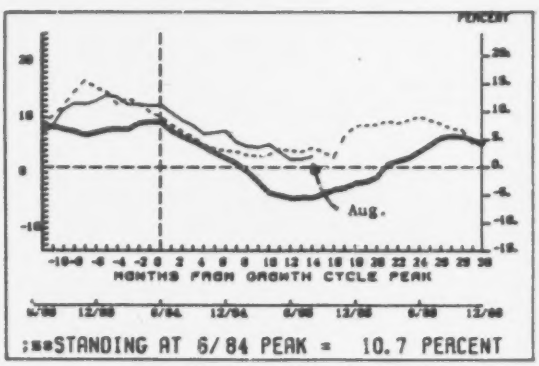
REAL GROSS NATIONAL PRODUCT, GROWTH RATE



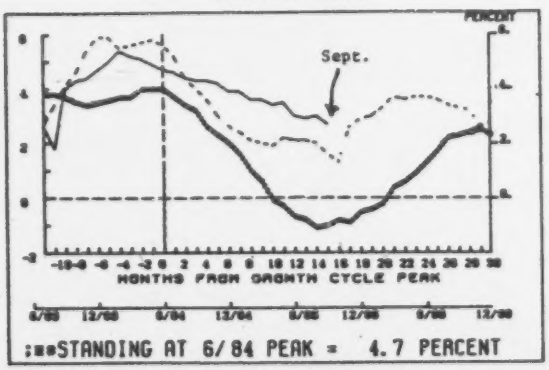
REAL RETAIL SALES, GROWTH RATE



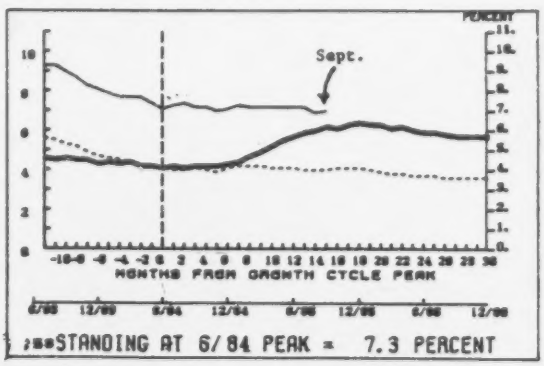
BCD COINCIDENT INDEX, GROWTH RATE



NONFARM EMPLOYMENT, GROWTH RATE



UNEMPLOYMENT RATE



Growth rates are six-month smoothed or two-quarter smoothed annual rates, based on ratio of current month (quarter) to average of preceding twelve months (four quarters). Recession periods start from growth cycle peak.

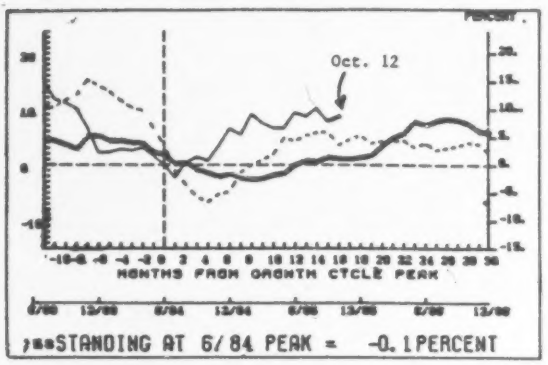
Current Slowdown Compared with Three Growth Recessions and Seven Real Recessions

——— Current slowdown, from June 1984

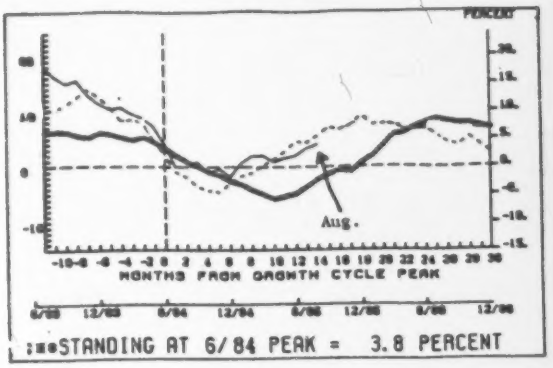
——— Average, three growth recessions (1951, 1962, 1966)

····· Average, seven real recessions (1948, 1953, 1957, 1960, 1969, 1973, 1980)

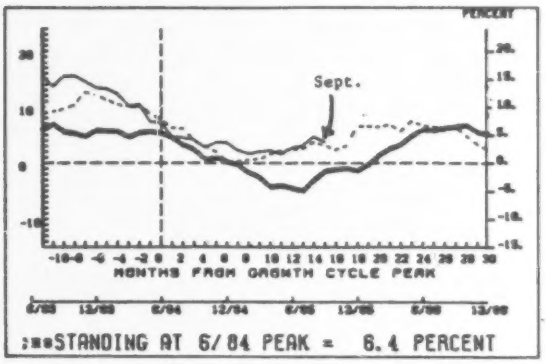
BUSINESS WEEK LEADING INDEX, GROWTH RATE



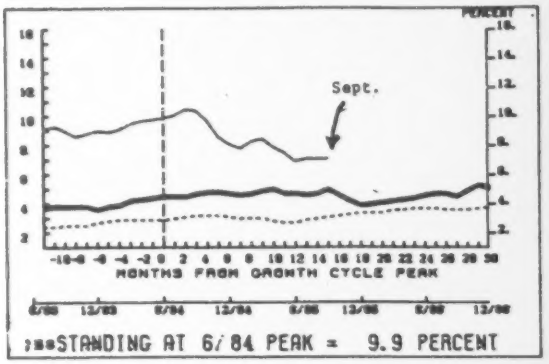
BCD LEADING INDEX, GROWTH RATE



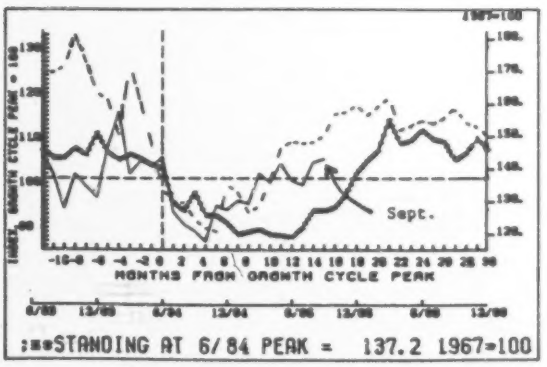
LEADING EMPLOYMENT INDEX, GROWTH RATE (CIBCR)



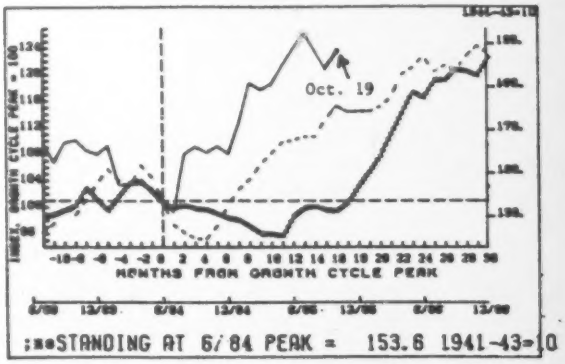
TREASURY BILL RATE (SIX MONTH)



NEW PRIVATE HOUSING PERMITS



COMMON STOCK PRICE INDEX (S&P 500)



Growth rates are six-month smoothed or two-quarter smoothed annual rates, based on ratio of current month (quarter) to average of preceding twelve months (four quarters). Recession periods start from growth cycle peak.

Comparisons with Longer Recoveries

Recent issues of Recession-Recovery Watch have compared the current recovery with averages based on the five preceding recoveries that lasted at least 36 months. Since the current recovery seems destined to last longer than this, it is appropriate to change the comparison base, eliminating the two recoveries that ended after 36 and 39 months, respectively. That leaves three recoveries that achieved a life of close to four years or more. Specifically, they are: 1949-53, 45 months; 1961-69, 106 months; 1975-80, 58 months. We have, therefore, constructed our charts to show the average pattern for these three recoveries over a period of 48 months. This does not, of course, imply that the present recovery will have a life span of four years or more. It simply means that it is no longer relevant to make comparisons with recoveries that ended in about three years or less.

As the charts show, there are many similarities and some differences between what has happened during the current recovery and the average of the three preceding "long-lived" recoveries. Table A summarizes some of these comparisons. Real GNP has not risen as much as the average, but consumer spending and employment rose more. Surprisingly, in view of the recent import competition, the rise in industrial production has been close to average. So too, is the rise to date in consumer prices. Inflation is no nearer death than it used to be. The annual rate of inflation has been 3.6% in the current recovery, 3.9% in the average of the three recoveries over the same span.

TABLE A.

Recovery Comparisons: Percentage Changes from the Business Cycle Trough to Date

	No. of Months from Trough	Average, Three Long-Lived Recoveries	Current Recovery	Latest Date, 1985
Real GNP	33	17.6	13.9	QIII
Industrial Production	34	26.4	24.0	September
Real Personal Income	33	14.5	11.5	August
Real Consumer Expenditures	33	12.0	14.2	August
Real Retail Sales	34	10.9	24.4	September
Total Employment	34	6.7	8.4	September
Nonfarm Employment	34	10.1	10.6	September
Nonfarm Hours	34	10.1	12.1	September
Consumer Price Index	34	11.6	10.3	September

Is Real Growth 3.3% or 3.9%?

The Commerce Department's preliminary estimate of real GNP for the third quarter of 1985 showed a 3.3% annual rate of increase from the second quarter. The increase in the implicit price deflator also was 3.3%. These rates, however, depend significantly upon the method used to deflate the net export balance. Using the method we have previously described, which deflates net exports by the deflator for the rest of GNP (gross domestic purchases), the real GNP growth rate is 3.9%, and the inflation rate 2.7%.

The end of the growth recession is more decisively demonstrated by the 3.9% rate, since it is well above any estimate of the past long-run trend growth rate in real GNP. The curtailment of inflation also is better demonstrated by a 2.7% inflation rate, especially when it is obtained from a measure that takes appropriate account of what we pay for imports. Import prices declined in the third quarter and that had a favorable effect on the gross domestic purchases deflator. Table B brings up to date the record of these alternative measures since 1984. The slowdown in growth is not quite as marked in our measure of real GNP as in the official measure. During the four quarters II84-II85 it is 2.5% by our measure, 2.0% by Commerce's. The inflation rate, on the other hand, is lower by our measure (gross domestic purchases): 3.2% instead of 3.7% during the four quarters.

TABLE B.

Real Growth and Inflation, 1984-85: Two Measures

	Real GNP		Inflation (Implicit Deflator)	
	Commerce	CIBCR[1]	Commerce	CIBCR[1]
	(percent change from preceding quarter, annual rate)			
I 1984	10.1	10.4	4.4	4.1
II 1984	7.1	7.2	3.3	3.3
III 1984	1.6	2.0	4.0	3.5
IV 1984	4.2	4.7	2.8	2.3
I 1985	0.3	2.0	5.4	3.6
II 1985	1.9	1.2	2.6	3.3
III 1985	3.3	3.9	3.3	2.7

[1] For details on method of calculation, see Recession-Recovery Watch, June 1985.

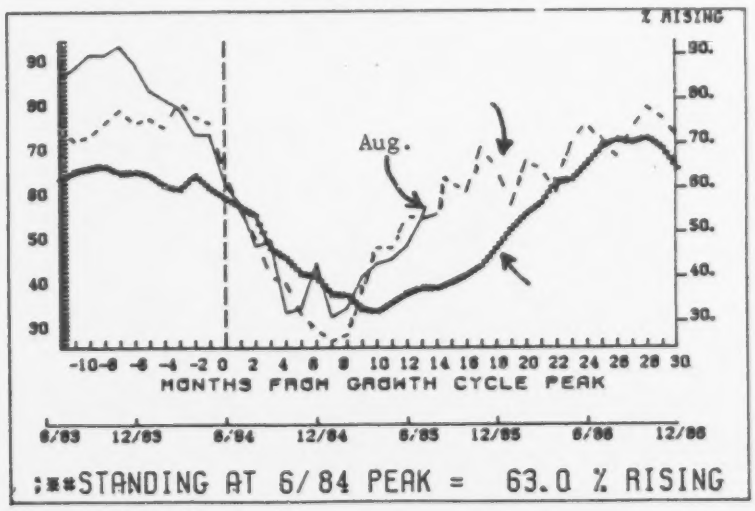
A New Leading Index

Movements in the leading indicators that are not of wide scope are often viewed skeptically, and with good reason. Short-lived events can have a powerful influence on a single indicator, but are less likely to affect a wide range. By the same token, movements of business cycle dimensions are widely diffused across economic sectors. It is therefore useful to have a measure that tells whether an emerging trend is widely diffused or not. The current situation is a case in point. If the improvement in the leading indexes in recent months reflects a widespread development, we can have more confidence that the growth recession will be followed by more rapid expansion.

The Commerce Department has published diffusion indexes of leading indicators for many years to deal with questions of this type. To consolidate the results we have combined five indexes into a single one, which includes a total of 164 leading indicator series. The new index is a simple average of five diffusion indexes showing the percentage of series rising over a nine-month span, dated at end of span: average workweek, 20 manufacturing industries; initial claims for unemployment insurance, 51 areas; new orders, 34 durable goods industries; spot market prices, 13 industrial materials; stock prices, 46 industries. The index has a good record of leading business cycle and growth cycle turns. It led every one of the eighteen growth cycle peaks and troughs since 1952, by an average of six months at peaks and seven months at troughs. The latest trough in the index came in January 1985, when only 31 percent of the indicators were rising. Since then the percentage rising has climbed to 54 percent in August. Hence its performance to date is consistent with an imminent end to the 1984-85 growth recession (Chart B).

CHART B.

Diffusion Index of Leading Indicators
during Current Slowdown and
Previous Recessions



A GUIDE TO RECESSION-RECOVERY WATCH TABLES

As readers of Recession-Recovery Watch know, the record of previous business cycle expansions provides a guide to the future prospects of the current expansion. The idea is, of course, incorporated in the Recession-Recovery Watch pattern charts and tables.

The tables cover sixty indicators and give the information needed to analyze the indicators from three viewpoints: the current expansion, all previous expansions since 1948 (or whenever after 1948 the indicator begins), and the average of three expansions since 1948 that lasted more than three years (1949-53, 1961-69, 1975-80).

The figures show the most recent position of the indicator compared with its position the same number of months after the start of each of the previous expansions. That is, if the latest figure is for, say, September 1985, which is 34 months after the November 1982 business cycle trough, all the entries for that indicator will be for 34 months after the troughs of previous cycles.

Series that are expressed as growth rates, changes, or ratios appear as actual values (Table 1) and as differences from business cycle trough standings (Table 3). All other series are expressed as percentages of business cycle trough standings (Table 2). The standing is a three month average centered on the trough month. In the case of quarterly series the trough standing is the figure for the business cycle trough quarter. The monthly and quarterly trough dates are those established by the National Bureau of Economic Research.

The tables pinpoint the most recent month available for each indicator, and compare it with the corresponding month after the start of each of the previous expansions.

A more comprehensive set of tables, the 1985 Supplement, has also been constructed by the Center. It includes sixty indicators and covers each month of every expansion since 1948, starting 11 months before the trough and ending three years after the trough. The average recovery is also shown for each month of the four-year span. Hence, one can use the figures to construct charts, to update comparisons month by month, to analyze changes during the second or third years of expansion, or to compare forecasts for the current expansion with what happened in previous expansions.

To order the 90-page 1985 Supplement, send in the order form on the back cover.

TABLE 1

RECESSION/RECOVERY STATUS UP TO 34 MONTHS AFTER THE BUSINESS CYCLE TROUGH

ACTUAL LEVELS

		Months After Business Cycle Trough	Expansions Starting OCT 1949	MAY 1954+	APR 1958+	FEB 1961	Expansions Starting NOV 1970+	MAR 1975	JULY 1980+	Average 1949 -75 (1949, 1961, 1975)	Current Expansion Starting NOV 1982	Last Month or Quarter Available
I.	COMPOSITE INDEXES											
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	34	5.4	-1.8	4.2	2.6	-2.4	3.0	20.4	3.7	7.8	9/85
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	34	1.9	.4.2	-4.1	5.0	3.7	4.4	10.7	3.8	3.8	9/85
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	34	0.9	3.7	-8.9	4.1	6.8	9.3	3.4	4.8	4.7	9/85
9.	LEADING INDEX, GROWTH RATE	33	5.1	-3.0	-1.0	6.5	0.0	5.0	17.3	5.5	4.1	8/85
10.	COINCIDENT INDEX, GROWTH RATE	33	-2.2	3.8	-7.8	4.2	4.2	7.6	0.7	3.2	2.0	8/85
12.	RATIO, COINCIDENT TO LAGGING INDEX	33	109.6	105.1	87.4	94.6	114.1	126.2	119.5	110.1	124.7	8/85
16.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	32			4.0	8.2	8.8	2.7	4.3	5.4	5.5	7/85
II.	OUTPUT, INCOME AND SALES											
16.	REAL GNP GROWTH RATE	33	2.5	2.9	0.1	5.1	3.9	4.5	4.7	4.0	2.3	III/85
III.	EMPLOYMENT AND UNEMPLOYMENT											
22.	EMPLOYMENT TO POPULATION RATIO	34	57.7	58.3	56.2	56.0	58.4	59.2	57.7	57.6	60.6	9/85
27.	EMPLOYMENT DIFFUSION INDEX, 186 IND.	34	63.3	61.7	20.2	65.9	57.7	78.2	62.4	69.1	40.3	9/85
28.	UNEMPLOYMENT RATE: TOTAL	34	3.2	3.6	6.7	5.4	6.7	6.3	10.0	5.0	7.0	9/85
29.	UNEMPLOYMENT RATE: INSURED	34	3.3	3.4	6.3	4.1	2.6	3.6	4.1	3.7	2.8	9/85
31.	SHORT-DURATION UNEMPLOYMENT RATE	34	2.9	2.9	4.8	4.0	3.9	4.7	5.9	3.9	5.1	9/85
32.	LAYOFF RATE	34	1.4	0.5	1.4	0.4	0.5	0.8	1.9	0.9	1.1	9/85
33.	PART-TIME EMPLOYMENT RATIO	34			1.6	2.8	4.4	3.7	2.0	3.2	2.4	9/85
IV.	INVESTMENT COMMITMENTS AND INVENTORIES											
40.	INVENTORY/SALES RATIO, TIMES 10	32	16.1	15.1	15.7	15.0	15.3	16.0	16.5	15.7	15.7	7/85
41.	CH IN INVENT ON HAND & ON ORDER, BIL 72$	32	11.3	0.7	-6.7	4.8	25.4	15.4	-10.0	10.5	-2.2	7/85
V.	PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS											
42.	OUTPUT PER HOUR, GROWTH RATE	33	1.1	1.8	0.9	2.8	0.2	1.6	5.1	1.8	0.5	III/85
43.	UNIT LABOR COSTS, GROWTH RATE	33	3.5	4.1	1.8	1.2	7.4	6.1	-0.2	3.6	3.5	III/85
44.	HOURLY COMPENSATION, GROWTH RATE	33	3.9	6.5	3.2	4.1	7.5	7.8	4.8	5.3	3.9	III/85
45.	REAL HOURLY COMPENSATION, GROWTH RATE	33	2.3	2.9	1.5	2.5	0.0	1.3	1.8	2.0	0.6	III/85
46.	SELLING PRICE INDEX, GROWTH RATE	33	1.1	4.8	0.3	1.2	4.5	5.7	2.9	2.7	3.5	III/85
47.	GROWTH IN PRICES MINUS GROWTH IN COSTS	33	-2.4	0.7	-1.5	0.0	-2.9	-0.4	3.1	-0.9	0.0	III/85
48.	CORPORATE PROFIT MARGIN	30	9.4	8.9	8.9	11.5	7.0	9.3	6.5	10.1	10.1	II/85
49.	PRICE/LABOR COST RATIO	33	101.2	100.0	97.7	101.1	97.6	99.6	97.9	99.3	99.7	III/85
53.	CONSUMER PRICE INDEX, GROWTH RATE	33	2.8	3.5	1.6	1.5	8.8	6.2	2.6	3.5	3.2	8/85
55.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	34	-22.0	-5.6	-3.6	-2.0	47.9	2.0	18.9	-7.3	-8.3	9/85
VI.	MONEY, CREDIT, INTEREST RATES AND STOCK PRICES											
56.	BUSINESS & CONSUMER DEBT, GROWTH RATE	33	13.5	10.3	7.9	14.9	17.8	16.4	-2.4	14.6	8.3	8/85
57.	FEDERAL DEBT, GROWTH RATE	34	1.5	0.8	-0.3	1.8	1.9	11.6	23.6	5.0	13.8	9/85
58.	TOTAL DEBT, GROWTH RATE	33	6.2	4.1	3.8	8.7	13.5	13.9	5.8	10.0	10.6	8/85
59.	MONEY SUPPLY (M1), GROWTH RATE	34	4.3	1.0	1.7	3.4	4.8	8.8	13.5	5.5	13.2	9/85
60.	MONEY SUPPLY (M2), GROWTH RATE	34	5.0	3.0	6.7	8.0	6.4	9.5	14.3	7.5	9.1	9/85
61.	TREASURY BILL RATE (3-MONTH)	34	1.8	3.1	2.4	3.5	8.3	6.4	8.2	3.9	7.1	9/85
62.	NEW CORPORATE BOND YIELD (Aa)	33	3.1	4.1	4.6	4.4	8.4	8.4	11.6	5.3	11.6	8/85

+ Figures not included to avoid overlap with contractions beginning August 1957, April 1960, November 1973 and July 1981.

TABLE 2

RECESSION/RECOVERY STATUS UP TO 30 MONTHS AFTER THE BUSINESS CYCLE TROUGH

PERCENTAGE ABOVE (+) OR BELOW (-) THE PRECEDING BUSINESS CYCLE TROUGH

	Months After Business Cycle Trough	Expansions Starting OCT 1949	MAY 1954+	APR 1958+	FEB 1961	Expansions Starting NOV 1970+	MAR 1975	JULY 1980+	Average 1949 -75 (1949, 1961, 1975)	Current Expansion Starting NOV 1982	Last Month or Quarter Available
I. COMPOSITE INDEXES											
1. BUSINESS WEEK LEADING INDEX (CIBCR)	34	20.0	9.7	10.8	19.8	25.0	24.0	13.0	21.2	23.6	9/85
2. LEADING EMPLOYMENT INDEX (CIBCR)	34	19.3	17.3	13.5	18.1	17.7	24.1	9.6	20.5	24.3	9/85
3. COINCIDENT EMPLOYMENT INDEX (CIBCR)	34	29.0	19.4	10.6	15.2	19.1	25.3	-3.5	23.2	26.9	9/85
4. LEADING INDEX (BCD)	33	11.7	14.0	13.4	20.7	24.6	30.9	12.9	21.1	21.8	8/85
5. COINCIDENT INDEX (BCD)	33	22.7	18.7	9.1	15.9	19.8	21.5	-3.9	20.0	20.5	8/85
11. LAGGING INDEX (BCD)	33	33.3	21.5	14.1	7.5	-0.4	-7.0	-7.3	11.3	8.4	8/85
13. EIGHT-COUNTRY LEADING INDEX (CIBCR)	32			24.2	9.1	22.1	15.2	3.9	12.2	19.2	7/85
II. OUTPUT, INCOME AND SALES											
15. REAL GNP	33	22.4	12.4	10.1	15.0	15.8	15.3	4.1	17.6	13.9	III/85
17. INDUSTRIAL PRODUCTION INDEX	34	32.3	23.1	14.2	24.0	24.5	22.8	1.5	26.4	24.0	9/85
18. REAL PERSONAL INCOME	33	17.0	15.5	9.4	11.9	14.7	14.6	5.4	14.5	11.5	8/85
19. REAL CONSUMER EXPENDITURES	33	9.0	12.5	9.4	11.6	13.1	15.5	7.3	12.0	14.2	8/85
20. REAL RETAIL SALES	34	4.7	14.8	7.8	13.7	22.1	14.4	7.5	10.9	24.4	9/85
III. EMPLOYMENT AND UNEMPLOYMENT											
21. TOTAL EMPLOYMENT	34	5.8	6.9	4.5	3.9	8.1	10.5	0.9	6.7	8.4	9/85
23. NONFARM EMPLOYMENT	34	12.6	8.5	4.9	7.1	9.6	10.4	-0.3	10.1	10.6	9/85
28. NONFARM EMPLOYEE-HOURS	34	13.6	8.4	5.5	7.5	9.5	9.3	-0.6	10.1	12.1	9/85
25. EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES	34	17.6	7.7	1.3	5.6	9.3	10.1	-8.5	11.1	9.6	9/85
26. EMPLOYMENT IN SERVICE-PRODUCING INDUSTRIES	34	9.4	9.1	7.1	8.0	9.7	10.6	2.9	9.3	11.3	9/85
30. INITIAL CLAIMS, UNEMPLOYMENT INSURANCE	34	-40.9	-30.1	1.0	-24.8	-23.9	-35.2	-14.3	-33.6	-35.8	9/85
34. AVERAGE WORKWEEK, MANUFACURING	34	3.1	1.8	1.6	3.3	3.0	1.6	1.9	2.7	4.4	9/85
35. OVERTIME HOURS, MANUFACTURING	34			21.2	42.9	42.5	41.7	8.0	42.3	43.5	9/85
IV. INVESTMENT COMMITMENTS AND INVENTORIES											
36. NEW PRIVATE HOUSING STARTS	34	-14.3	-19.0	6.5	20.2	9.8	77.6	36.9	27.8	23.4	9/85
37. NEW PRIVATE HOUSING PERMITS	34	-22.0	-17.3	-1.5	40.2	3.9	112.3	33.7	43.5	42.6	9/85
38. CONTRACTS & ORDERS, PLANT & EQUIPMENT	33	33.9	31.5	28.7	32.9	49.8	40.8	-8.0	43.2	28.5	8/85
39. NEW CAPITAL APPROPRIATIONS, MFG.	30		65.8	37.7	48.5	71.3	31.5	-22.7	40.0	29.9	II/85
V. PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS											
50. BUSINESS FAILURES, LIABILITIES $100,000+	34	-10.0	38.0	38.5	-8.3	-7.1	-36.5	105.0	-18.3	-12.5	9/85
51. LEADING INDEX OF INFLATION (CIBCR)	34	10.0	6.8	3.5	5.0	18.7	20.5	-3.7	11.8	16.9	9/85
52. CONSUMER PRICE INDEX, ALL URBAN CONSUMERS	33	12.5	3.2	3.2	3.2	12.8	18.0	19.3	11.4	10.1	8/85
54. INDUSTRIAL MATERIALS PRICE INDEX	34	16.3	9.0	8.9	-6.2	73.9	18.0	-13.4	9.4	9.2	9/85
VI. MONEY, CREDIT, INTEREST RATES AND STOCK PRICES											
63. STOCK PRICE INDEX (S&P 500)	34	59.1	54.8	45.5	19.6	22.5	8.9	37.6	29.2	34.6	9/85

+ Figures not included to avoid overlap with contractions beginning August 1957, April 1960, November 1973 and July 1981.

TABLE 3

RECESSION/RECOVERY STATUS UP TO 34 MONTHS AFTER THE BUSINESS CYCLE TROUGH

DIFFERENCE FROM THE PRECEDING BUSINESS CYCL TROUGH

		Months After Business Cycle Trough	Expansions Starting OCT 1949	MAY 1954o	APR 1958o	FEB 1961	Expansions Starting NOV 1970o	MAR 1975	JULY 1980o	Average 1949 -75 (1949, 1961, 1975)	Current Expansion Starting NOV 1982	Last Month or Quarter Available
I.	COMPOSITE INDEXES											
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	34	0.9	-10.6	0.3	-4.1	-7.5	8.3	29.9	1.7	3.0	9/85
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	34	4.0	9.2	3.4	7.5	9.5	17.5	18.9	9.7	4.5	9/85
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	34	14.8	17.6	9.5	12.2	13.9	26.0	11.6	17.6	12.6	9/85
9.	LEADING INDEX, GROWTH RATE	33	-4.8	-5.1	2.1	5.2	0.8	18.5	22.9	6.3	-0.6	8/85
10.	COINCIDENT INDEX, GROWTH RATE	33	5.0	13.2	6.8	10.9	9.8	22.7	9.5	12.9	8.8	8/85
12.	RATIO, COINCIDENT TO LAGGING INDEX	33	-9.5	-2.4	-4.1	6.9	19.2	29.6	4.4	9.0	12.5	8/85
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	32			5.5	3.3	11.0	13.5	5.7	8.4	4.7	7/85
II.	OUTPUT, INCOME AND SALES											
16.	REAL GNP GROWTH RATE	33	3.5	6.1	2.3	5.0	4.1	9.8	6.8	6.1	3.0	III/85
III.	EMPLOYMENT AND UNEMPLOYMENT											
22.	EMPLOYMENT TO POPULATION RATIO	34	2.2	2.0	0.2	-0.3	0.9	2.7	-1.5	1.6	2.9	9/85
27.	EMPLOYMENT DIFFUSION INDEX, 186 IND.	34	34.4	46.7	6.3	45.6	31.8	64.1	33.5	48.0	19.1	9/85
28.	UNEMPLOYMENT RATE: TOTAL	34	-3.6	-2.0	-0.3	-1.2	-1.0	-2.0	2.4	-2.3	-3.5	9/85
29.	UNEMPLOYMENT RATE: INSURED	34	-4.1	-2.0	-0.6	-2.2	-1.5	-2.7	-0.3	-3.0	-2.2	9/85
31.	SHORT-DURATION UNEMPLOYMENT RATE	34	-2.3	-1.4	-0.1	-0.7	-0.7	-1.3	0.2	-1.4	-1.4	9/85
32.	LAYOFF RATE	34	-0.0	-1.1	0.2	-0.8	-0.6	-1.2	0.1	-0.7	-1.3	9/85
33.	PART-TIME EMPLOYMENT RATIO	34			0.3	1.1	0.5	0.9	-0.9	1.0	0.4	9/85
IV.	INVESTMENT COMMITMENTS AND INVENTORIES											
40.	INVENTORY/SALES RATIO, TIMES 10	32	0.8	-1.1	-0.7	-0.8	-1.9	-1.8	-0.6	-0.6	-1.9	7/85
41.	CH IN INVENT ON HAND & ON ORDER, BIL 72$	32	10.1	16.5	10.6	15.7	26.3	43.9	2.8	23.2	16.7	7/85
V.	PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS											
42.	OUTPUT PER HOUR, GROWTH RATE	30	2.2	0.5	-2.8	3.0	1.1	3.8	2.4	3.0	-1.5	II/85
43.	UNIT LABOR COSTS, GROWTH RATE	30	1.9	3.0	2.1	-2.4	0.3	-7.5	-7.4	-2.7	-0.9	II/85
44.	HOURLY COMPENSATION, GROWTH RATE	30	4.6	4.2	-0.8	-0.3	1.0	-3.6	-4.7	0.2	-2.5	II/85
45.	REAL HOURLY COMPENSATION, GROWTH RATE	30	0.1	1.0	1.3	0.4	-0.1	0.5	4.0	0.3	-1.9	II/85
46.	SELLING PRICE INDEX, GROWTH RATE	30	1.1	2.3	0.3	0.6	-1.6	-7.0	-4.1	-1.8	0.6	II/85
47.	GROWTH IN PRICES MINUS GROWTH IN COSTS	30	-0.8	-0.7	-1.8	3.0	-1.9	0.5	1.3	0.9	1.5	II/85
48.	CORPORATE PROFIT MARGIN	30	-3.2	-0.3	0.9	2.9	0.9	4.5	2.0	1.4	5.1	II/85
49.	PRICE/LABOR COST RATIO	30	0.9	0.5	-0.9	3.8	0.4	3.4	0.2	2.7	3.9	II/85
53.	CONSUMER PRICE INDEX, GROWTH RATE	33	4.6	3.1	-2.1	0.1	3.5	-3.5	-10.0	0.4	-0.9	8/85
55.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	34	-5.9	-11.3	10.2	0.5	58.5	29.8	27.1	8.2	9.6	9/85
VI.	MONEY, CREDIT, INTEREST RATES AND STOCK PRICES											
56.	BUSINESS & CONSUMER DEBT, GROWTH RATE	33	10.1	4.1	4.3	6.3	13.0	10.5	-7.9	9.0	9.4	8/85
57.	FEDERAL DEBT, GROWTH RATE	34	0.2	0.4	-1.4	2.3	-2.9	0.3	13.2	0.9	-5.8	9/85
58.	TOTAL DEBT, GROWTH RATE	33	4.3	1.4	1.5	4.8	8.7	7.8	-0.9	5.7	5.7	8/85
59.	MONEY SUPPLY (M1), GROWTH RATE	34	5.0	0.0	1.1	1.8	-0.9	5.1	8.4	4.0	3.3	9/85
60.	MONEY SUPPLY (M2), GROWTH RATE	34	5.3	-0.2	1.5	1.5	-1.7	2.0	6.0	2.9	-0.7	9/85
61.	TREASURY BILL RATE (3-MONTH)	34	0.8	2.3	1.3	1.2	2.9	0.9	0.1	0.9	-0.8	9/85
62.	NEW CORPORATE BOND YIELD (AA)	33	0.6	1.2	0.9	-0.1	-0.3	-1.0	-0.1	-0.1	-0.6	8/85

o Figures not included to avoid overlap with contractions beginning August 1957, April 1960, November 1973 and July 1981.

CHANGES IN THIS ISSUE

Starting this month, the recovery pattern charts extend out to 48 months after the business cycle trough (and begin one year before). The 1954-57 and 1970-73 expansions, which lasted fewer than four years, have been excluded from the averages.

———— Current recovery to date (business cycle trough: November 1982 or IV Q 1982)

++++++++++++ Average of three recoveries (1949-53, 1961-69, 1975-80)

How to Read the Charts

The charts show how the current recovery, dated from November 1982, compares with the average previous recovery over the same length of time. They also show how the average previous recovery developed beyond the present point, and hence what a forecast based on that average would look like. Forecasts based upon other information can be evaluated against this background. One can see easily where new figures or forecasts would be placed.

The horizontal time scale in each chart shows the number of months before (-) or after (+) the business cycle trough (0). For the current cycle November 1982 is zero, May 1983 is Month 6, etc. The vertical scale on the left side of most charts is an index with the three-month average centered on the business cycle trough date equal to 100. This three-month average is called the trough standing. For the current cycle, the figures plotted are indexes with the October to December 1982 average equal to 100. Each of the previous cycles are converted to indexes in the same way, and then the corresponding months are averaged for the three cycles, 1949-80. Quarterly series (e.g., GNP) are treated in the same way as monthly except that quarterly business cycle trough dates are used and each quarter is plotted as a horizontal line for three months.

When the figures are percentages, ratios or changes (e.g., the unemployment rate or GNP growth rate, employment to population ratio, or change in inventories), the charts show actual levels of the data, rather than deviations from trough standings.

On all charts the right-hand scale applies to the current cycle. This scale shows how the averages for previous recoveries translate to current levels. The November 1982 trough standing for the current cycle is shown at the bottom of the chart for reference.

The averages include only three cycles rather than seven. The 1954-57, 1958-60, 1970-73 and 1980-81 recoveries, which lasted 39, 24, 36 and 12 months are excluded to avoid including the subsequent recessions in the averages.

All the growth rates shown are six-month smoothed rates (or two-quarter smoothed), obtained by dividing the current month's figure by the average for the twelve preceding months, and expressing the result as a compound annual rate.

Data in some charts are a month or a quarter more up-to-date than in the preceding three tables.

RECESSION-RECOVERY PATTERN CHARTS

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2	Leading Employment Index (CIBCR)	15
3	Coincident Employment Index (CIBCR)	15
4	Leading Index (BCD 910)(L,L,L)	15
5	Coincident Index (BCD 920)(C,C,C)	15
6	Business Week Leading Index, Growth Rate	16
7	Leading Employment Index, Growth Rate (CIBCR)	16
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The series numbers of indicators that are reported in Business Conditions Digest are noted above. Readers may wish to consult the 1984 Handbook of Cyclical Indicators for further information on particular time series. The letter symbols L, C, Lg and U identify the timing classification of the series with respect to business cycles, as shown in Business Conditions Digest. L = leading, C = coincident, Lg = lagging, and U = unclassified because of inconsistency in timing. The three letters in parentheses refer to peaks, troughs and to peaks and troughs, respectively. When the series we use is similar to but not identical with the BCD series, the BCD classification has been used. In the case of growth rates, we show the classification only where a similar growth rate for the same or similar series is classified in BCD.

COMPOSITE INDEXES

CHART 1
BUSINESS WEEK LEADING INDEX (CIBCR)

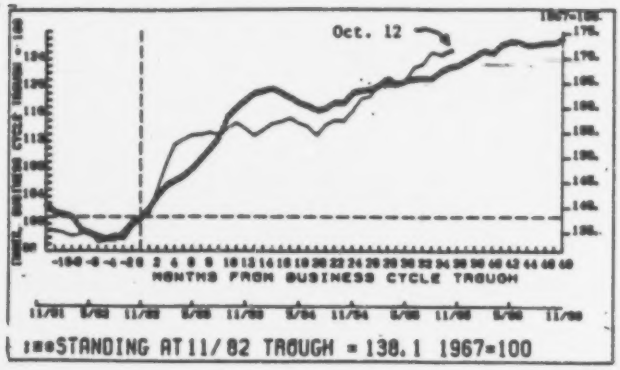


CHART 2
LEADING EMPLOYMENT INDEX (CIBCR)

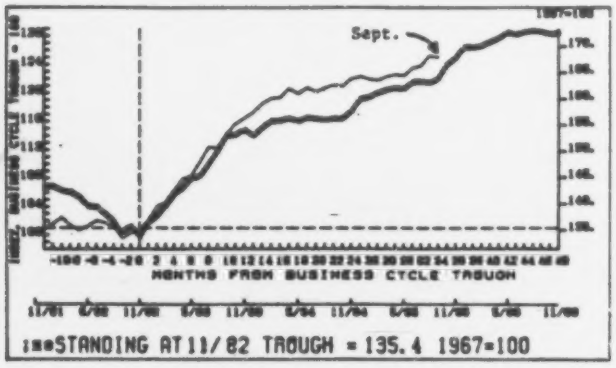


CHART 3
COINCIDENT EMPLOYMENT INDEX (CIBCR)

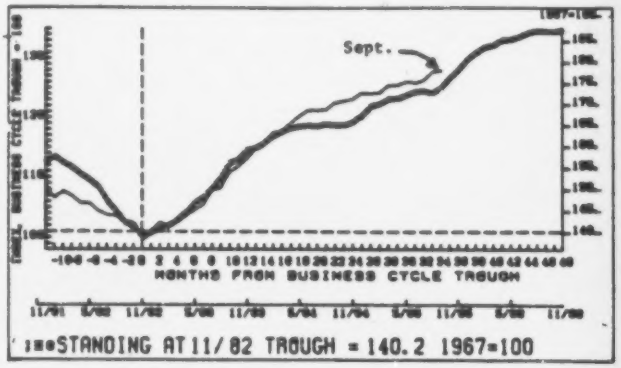


CHART 4
LEADING INDEX (BCD)

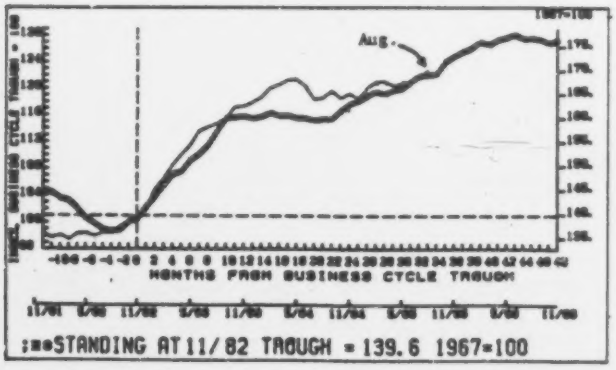
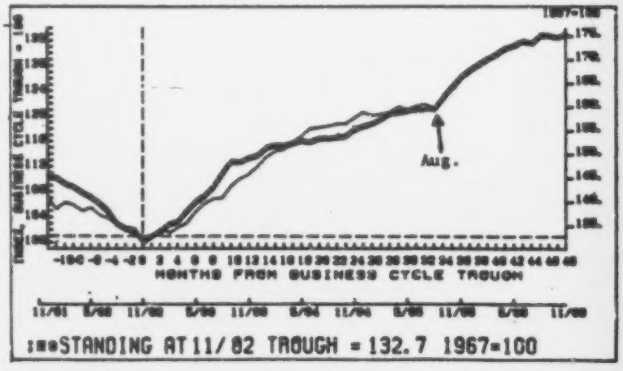


CHART 5
COINCIDENT INDEX (BCD)



COMPOSITE INDEX GROWTH RATES

CHART 6
BUSINESS WEEK LEADING INDEX,
GROWTH RATE (CIBCR)

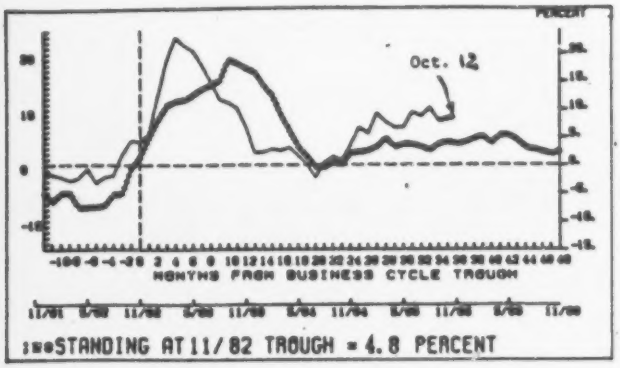


CHART 7
LEADING EMPLOYMENT INDEX,
GROWTH RATE (CIBCR)

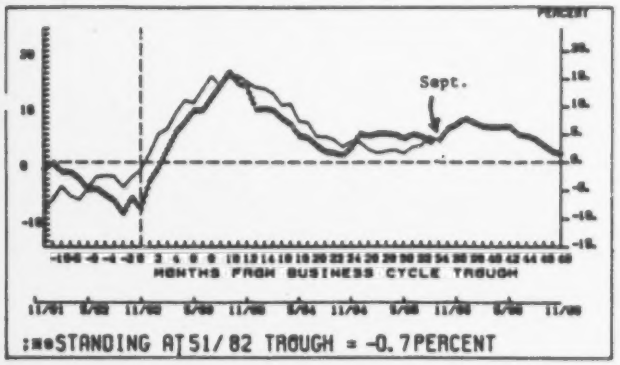


CHART 8
COINCIDENT EMPLOYMENT INDEX,
GROWTH RATE (CIBCR)

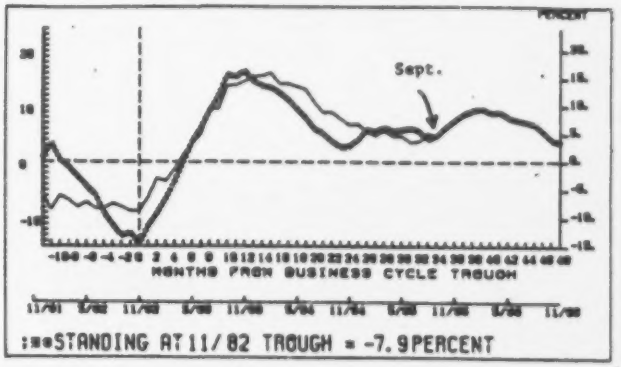


CHART 9
LEADING INDEX, GROWTH RATE (BCD)

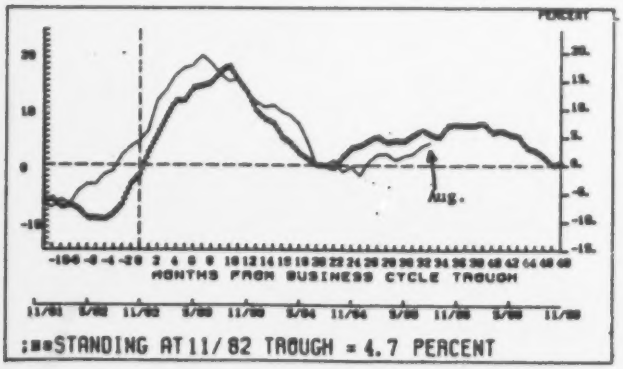
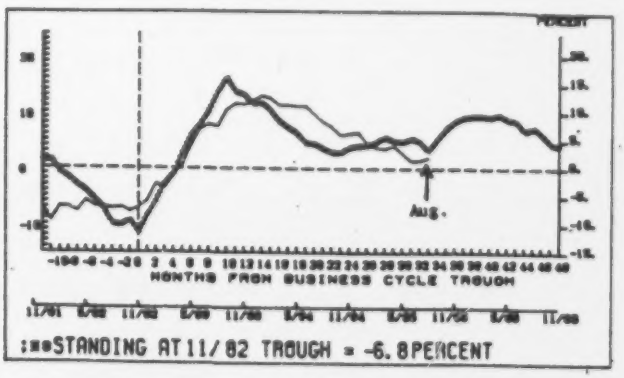


CHART 10
COINCIDENT INDEX, GROWTH RATE (BCD)



OTHER COMPOSITE INDEXES

CHART 11
LAGGING INDEX (BCD)

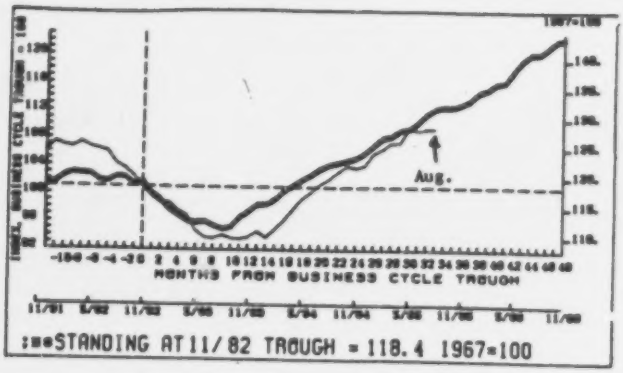


CHART 12
RATIO, COINCIDENT TO LAGGING INDEX (BCD)

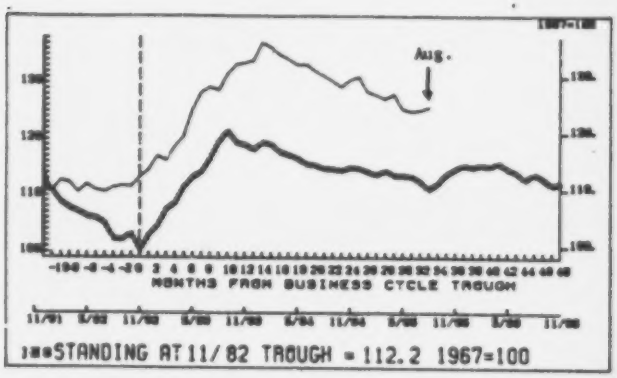


CHART 13
EIGHT-COUNTRY LEADING INDEX (CIBCR)*

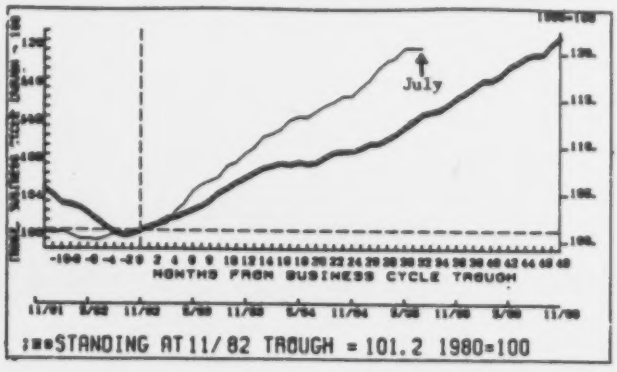
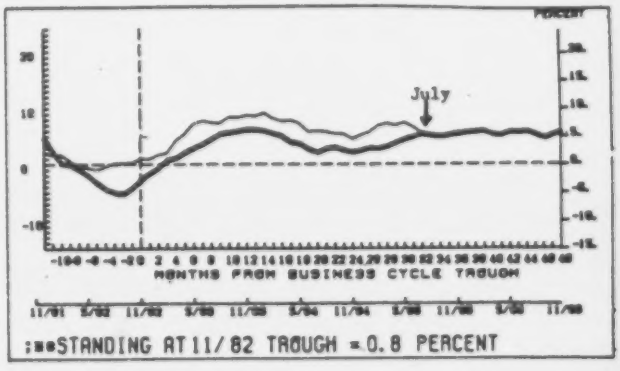


CHART 14
EIGHT-COUNTRY LEADING INDEX,
GROWTH RATE (CIBCR)*



*Canada, United Kingdom, West Germany, France, Italy, Japan, Australia and Taiwan

OUTPUT, INCOME AND SALES

CHART 15
REAL GNP

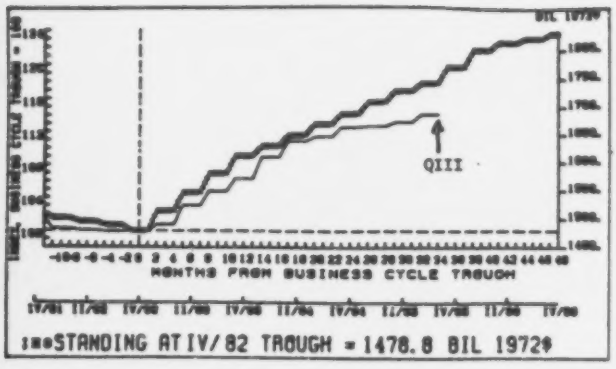


CHART 16
REAL GNP, GROWTH RATE

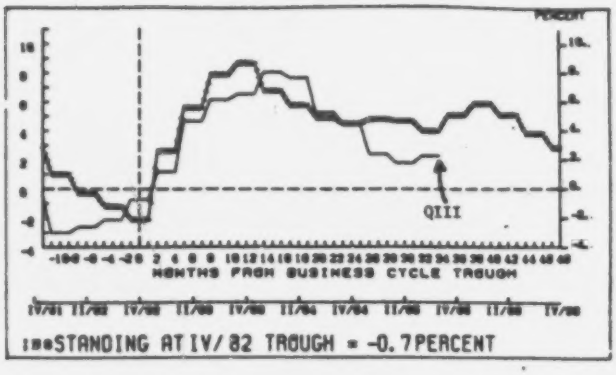


CHART 17
INDUSTRIAL PRODUCTION INDEX

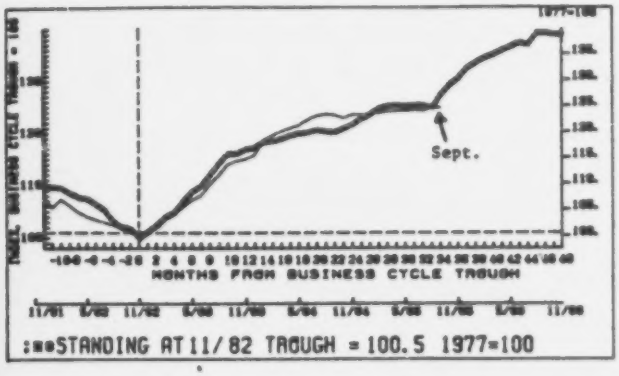


CHART 18
REAL PERSONAL INCOME

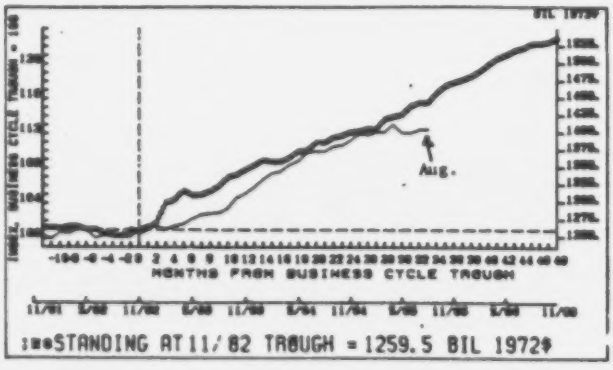


CHART 19
REAL CONSUMER EXPENDITURES

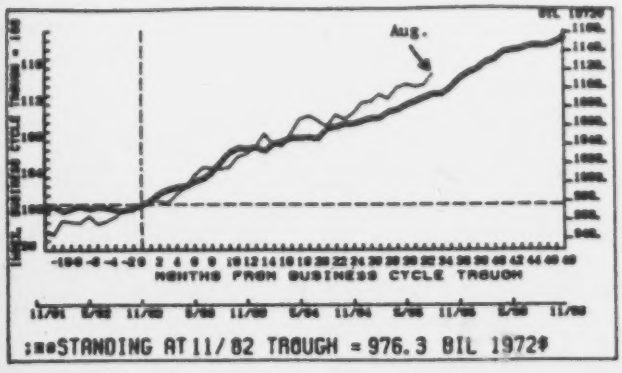
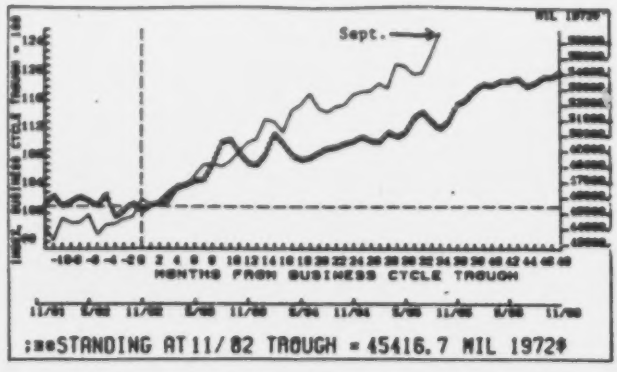


CHART 20
REAL RETAIL SALES



EMPLOYMENT

CHART 21
TOTAL EMPLOYMENT

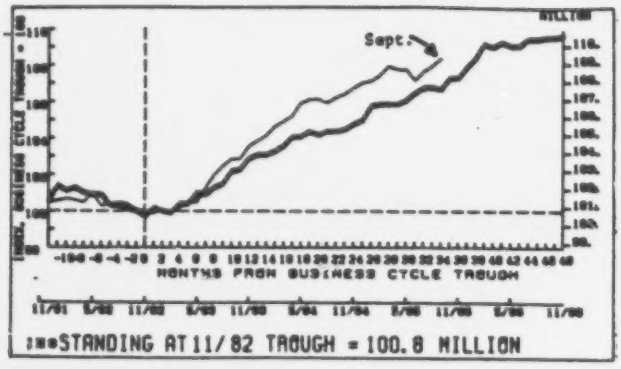


CHART 22
EMPLOYMENT TO POPULATION RATIO

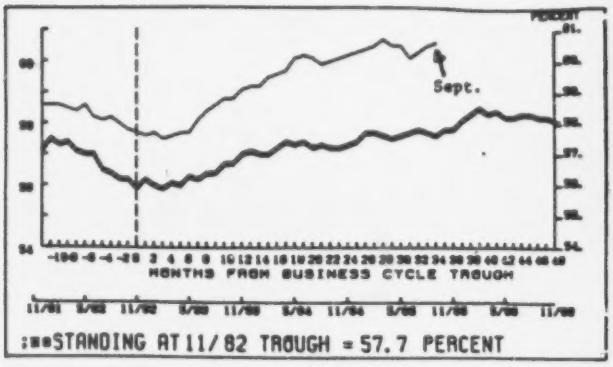


CHART 23
NONFARM EMPLOYMENT

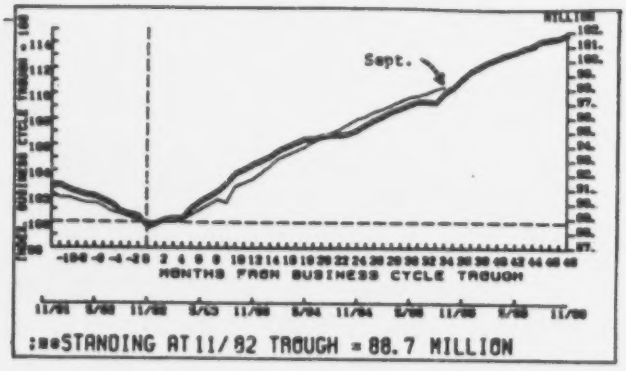


CHART 24
NONFARM EMPLOYEE HOURS

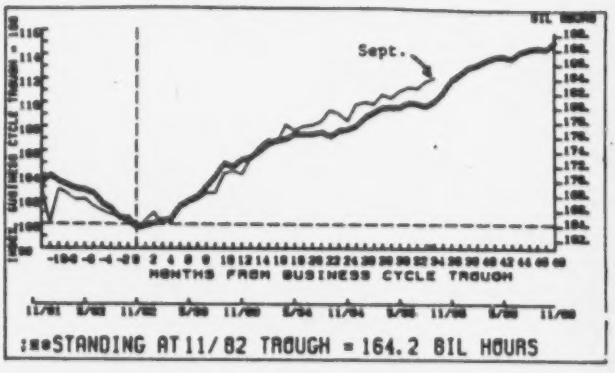


CHART 25
EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES

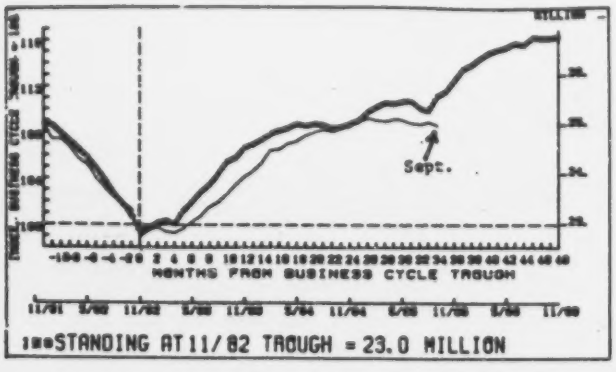
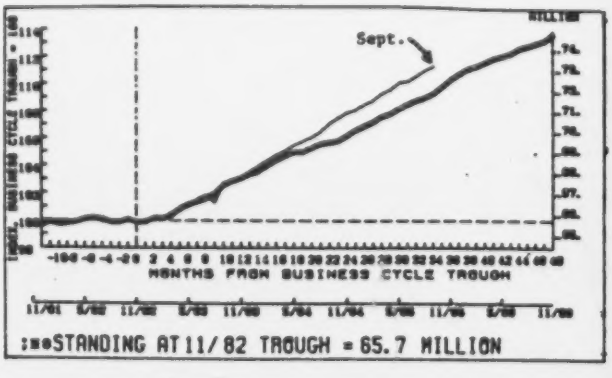


CHART 26
EMPLOYMENT IN SERVICE-PRODUCING INDUSTRIES



UNEMPLOYMENT

CHART 27
EMPLOYMENT DIFFUSION INDEX, 186 INDUSTRIES

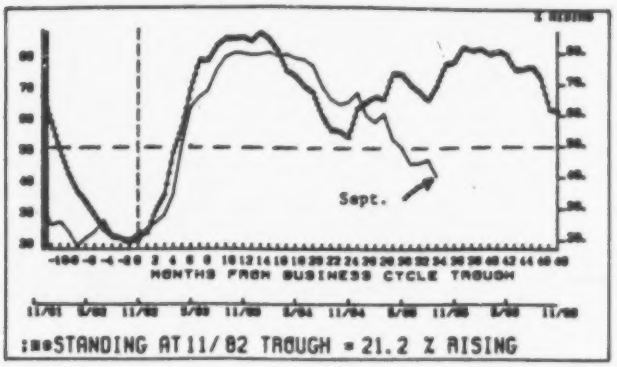


CHART 28
UNEMPLOYMENT RATE: TOTAL

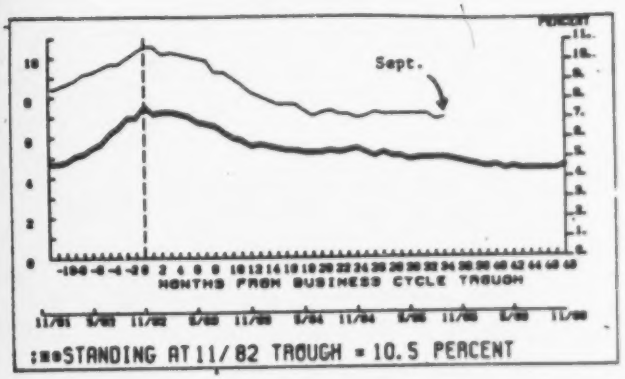


CHART 29
UNEMPLOYMENT RATE: INSURED

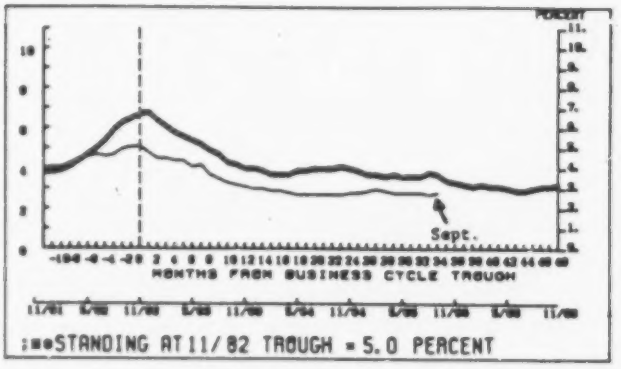


CHART 30
INITIAL CLAIMS, UNEMPLOYMENT INSURANCE

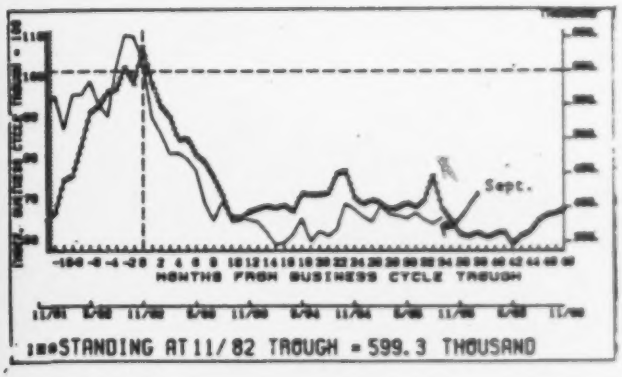
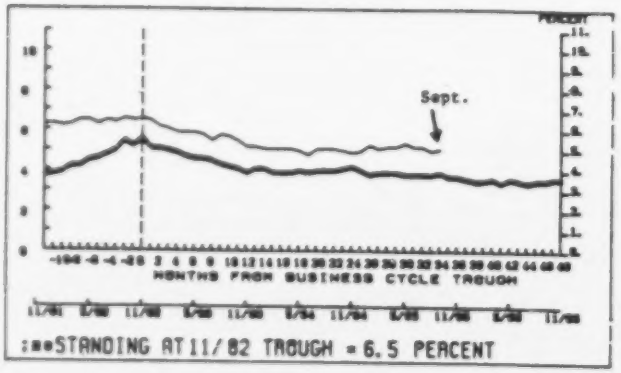


CHART 31
SHORT-DURATION UMEMPLOYMENT RATE
(UNDER 15 WEEKS)



OTHER LEADING EMPLOYMENT INDICATORS

CHART 32
LAYOFF RATE

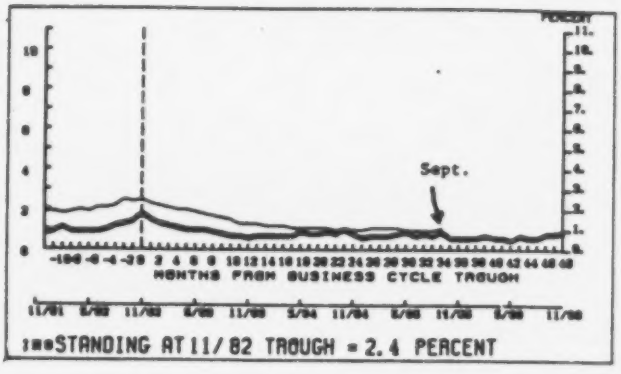


CHART 33
VOLUNTARY-INVOLUNTARY
PART-TIME EMPLOYMENT RATIO

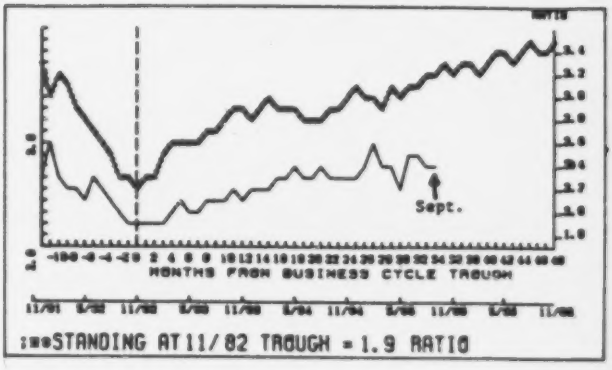


CHART 34
AVERAGE WORKWEEK, MANUFACTURING

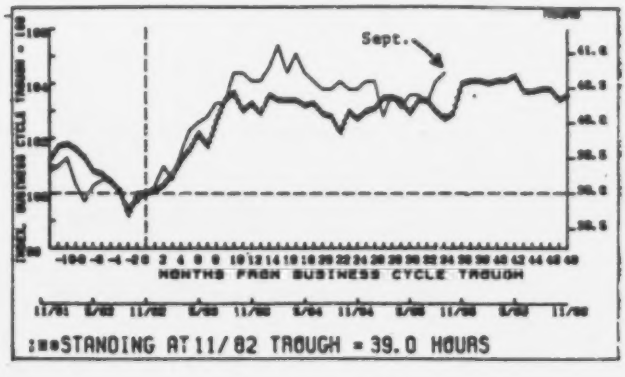
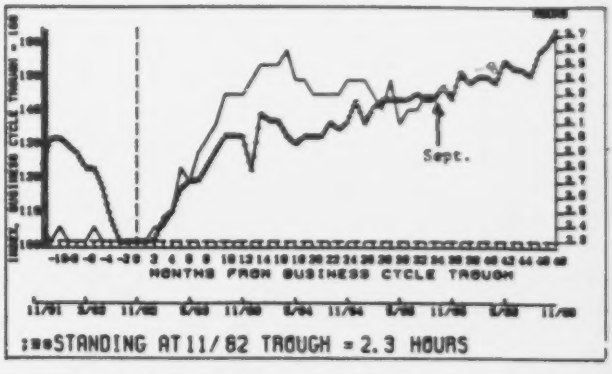


CHART 35
OVERTIME HOURS, MANUFACTURING



INVESTMENT COMMITMENTS AND INVENTORIES

CHART 36
NEW PRIVATE HOUSING STARTS

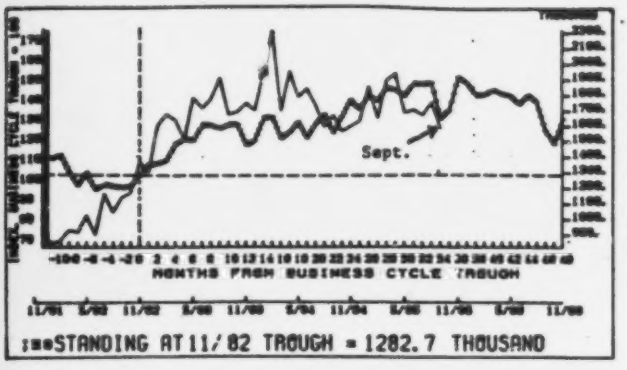


CHART 37
NEW PRIVATE HOUSING PERMITS

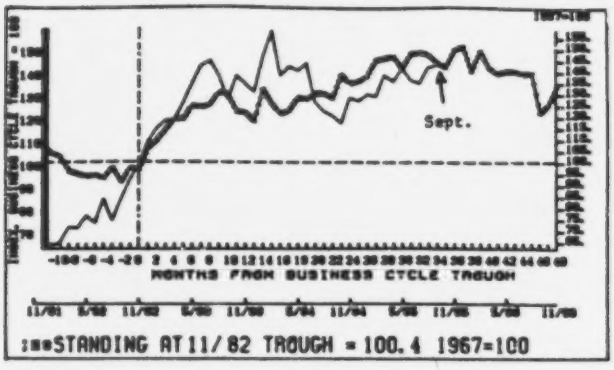


CHART 38
CONTRACTS & ORDERS, PLANT & EQUIPMENT

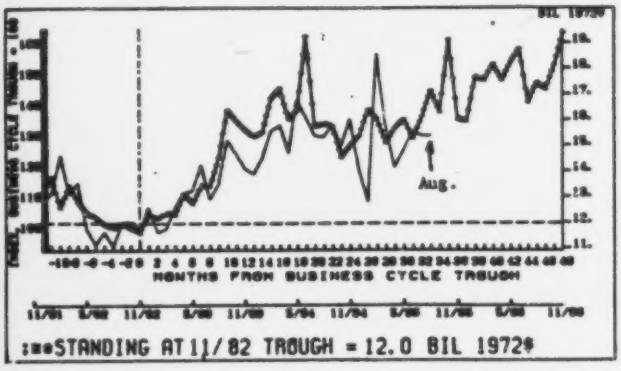


CHART 39
NEW CAPITAL APPROPRIATIONS, MFG.

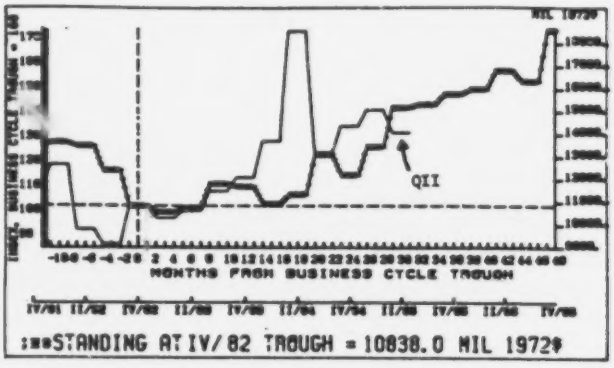


CHART 40
INVENTORY/SALES RATIO, MFG. AND TRADE

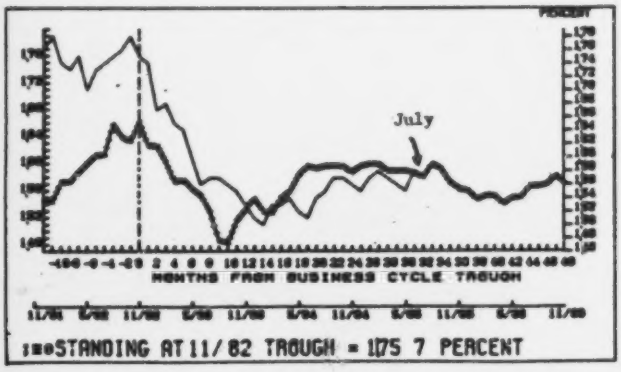
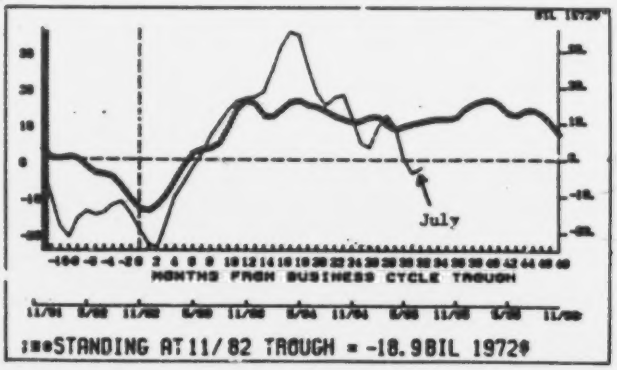


CHART 41
CHANGE IN INVENTORIES ON HAND & ON ORDER



PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS

CHART 42
OUTPUT PER HOUR, GROWTH RATE

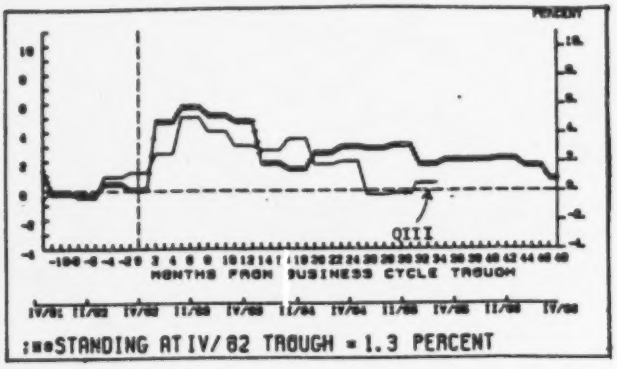


CHART 43
UNIT LABOR COSTS, GROWTH RATE

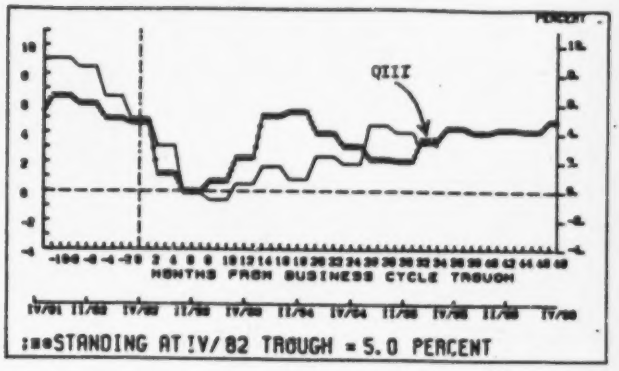


CHART 44
HOURLY COMPENSATION, GROWTH RATE

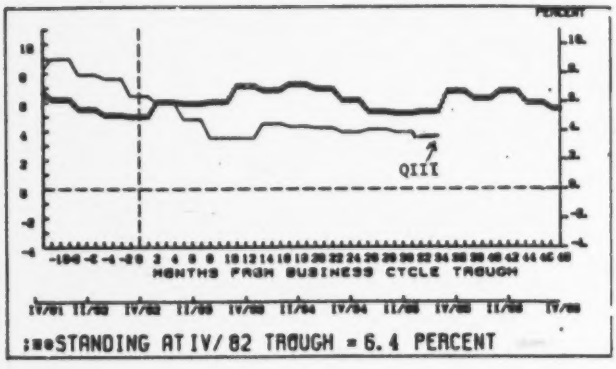


CHART 45
REAL HOURLY COMPENSATION, GROWTH RATE

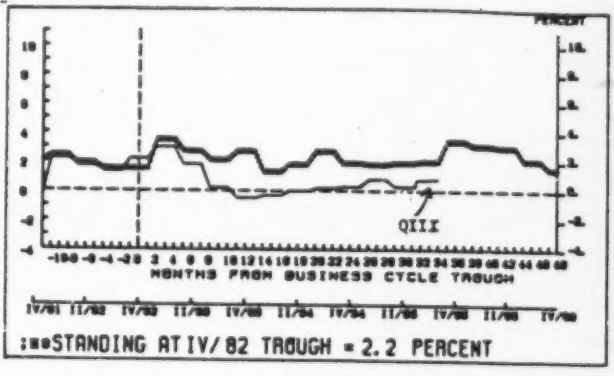


CHART 46
SELLING PRICE INDEX, GROWTH RATE

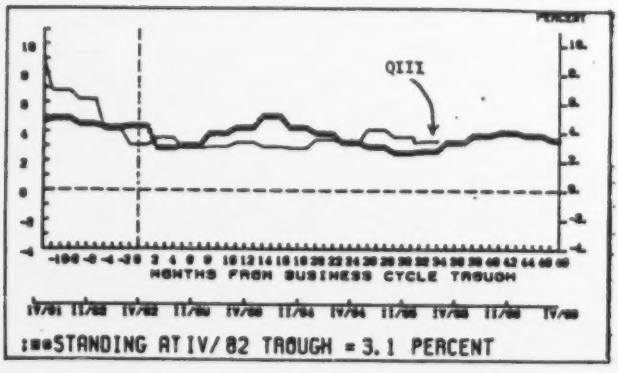
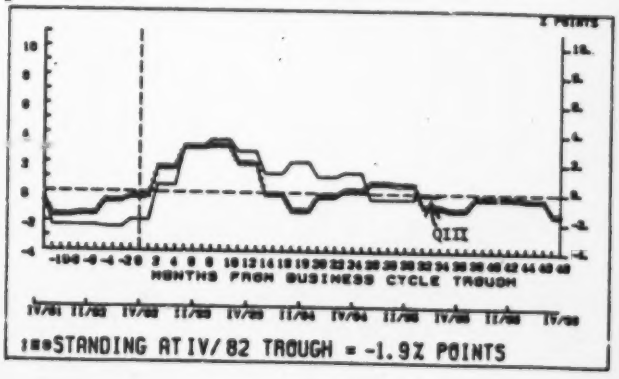


CHART 47
GROWTH RATE IN PRICES MINUS
GROWTH RATE IN UNIT LABOR COSTS



PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, cont.

CHART 48
CORPORATE PROFIT MARGIN

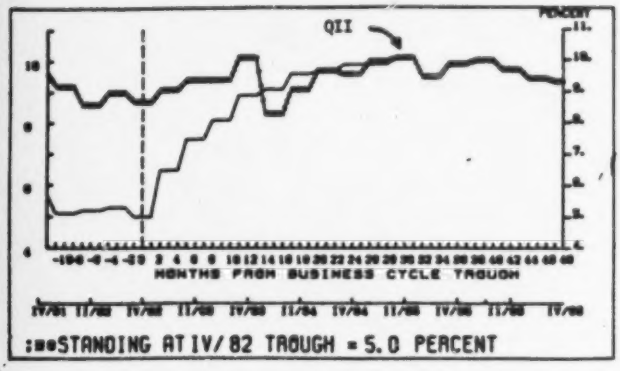


CHART 49
PRICE/LABOR COST RATIO

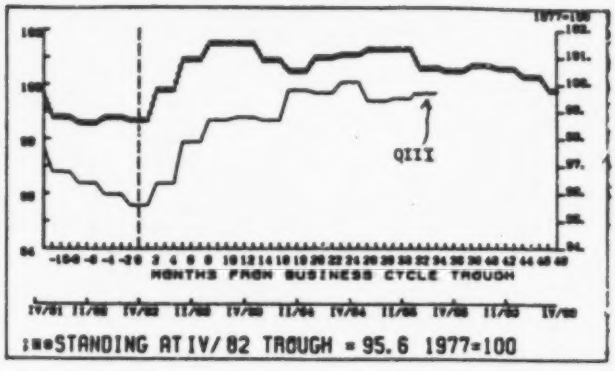


CHART 50
BUSINESS FAILURES,
LIABILITIES OVER $100,000

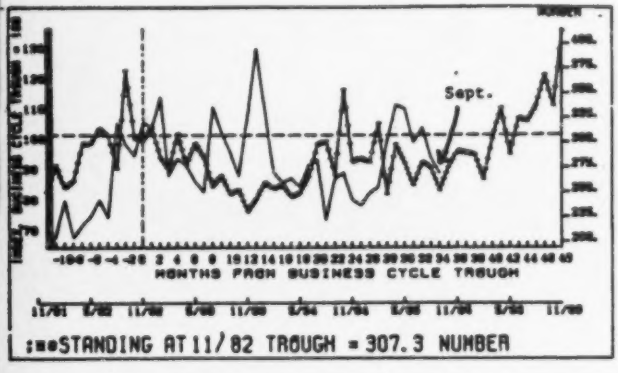


CHART 51
LEADING INDEX OF INFLATION (CIBCR)

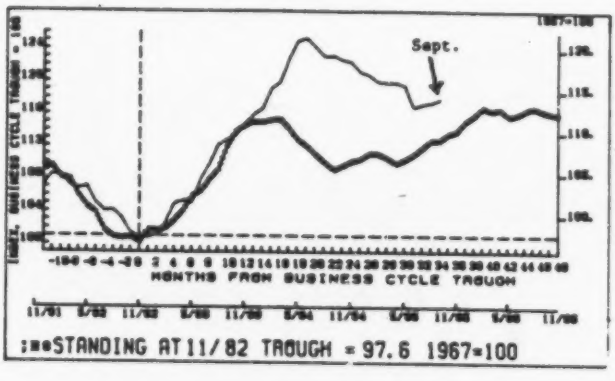


CHART 52
CONSUMER PRICE INDEX

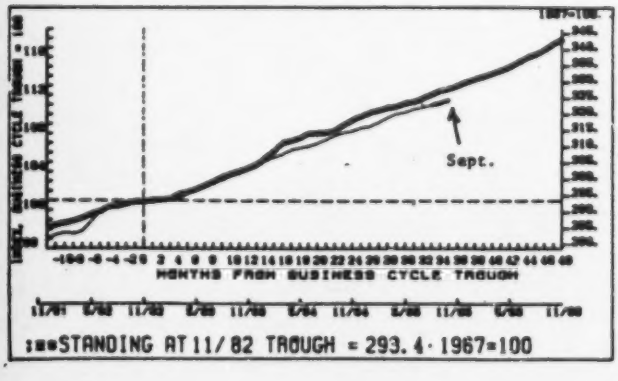
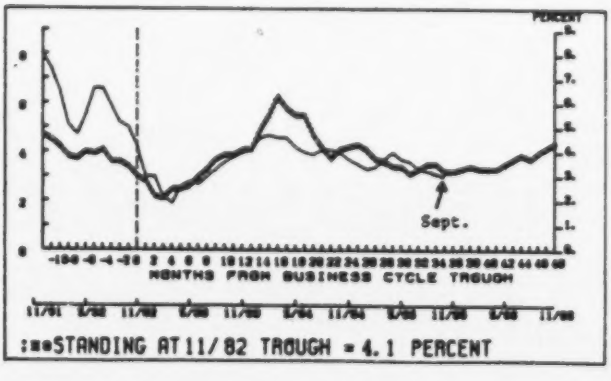


CHART 53
CONSUMER PRICE INDEX, GROWTH RATE



MONEY, CREDIT, INTEREST RATES AND STOCK PRICES

CHART 54
INDUSTRIAL MATERIALS PRICE INDEX,
JOURNAL OF COMMERCE

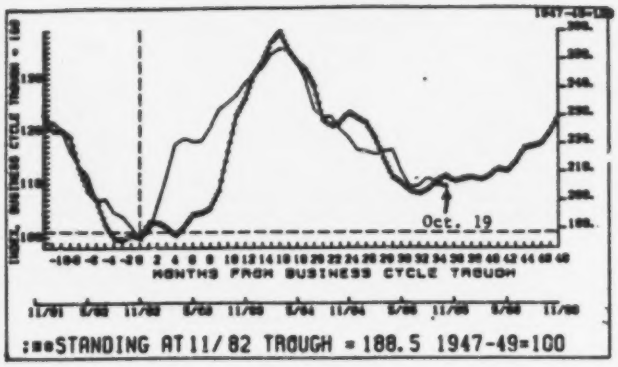


CHART 55
INDUSTRIAL MATERIALS PRICE INDEX,
GROWTH RATE

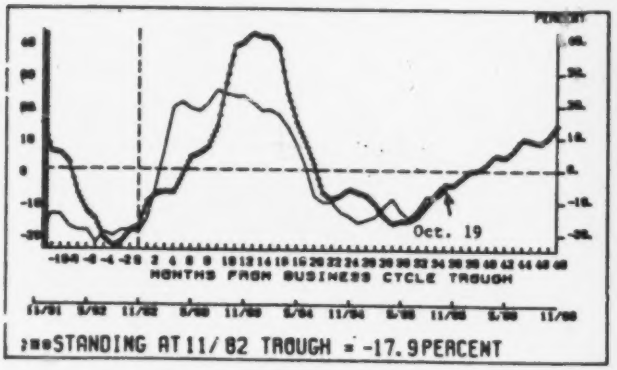


CHART 56
BUSINESS & CONSUMER DEBT, GROWTH RATE

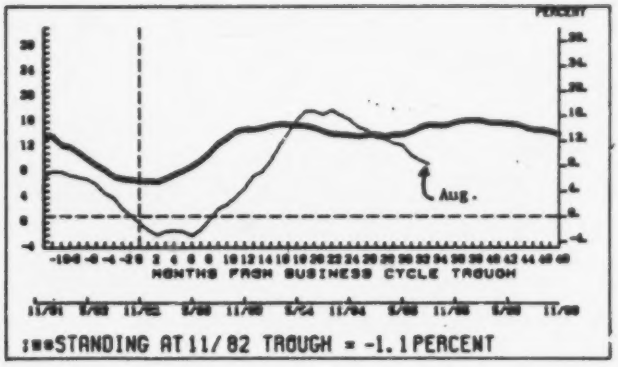


CHART 57
FEDERAL DEBT, GROWTH RATE

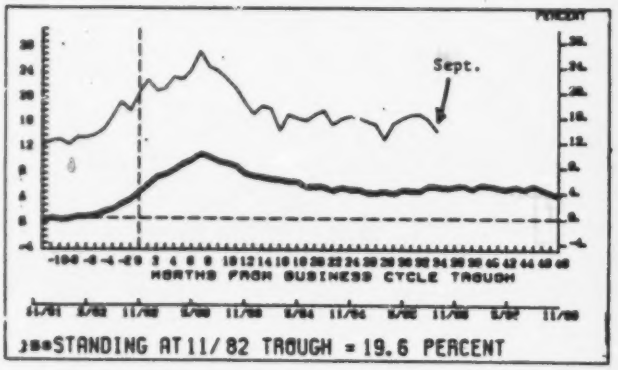
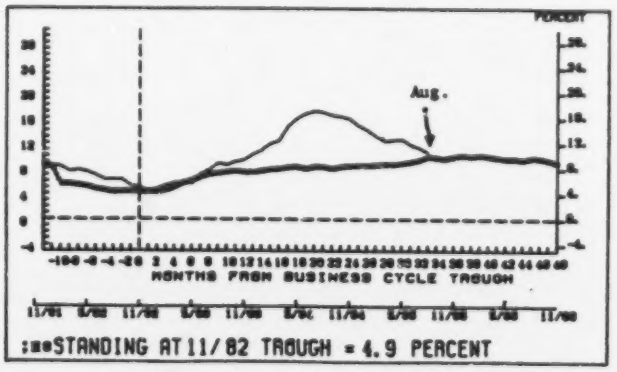


CHART 58
TOTAL DEBT, GROWTH RATE



PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, cont.

CHART 59
MONEY SUPPLY (M1), GROWTH RATE

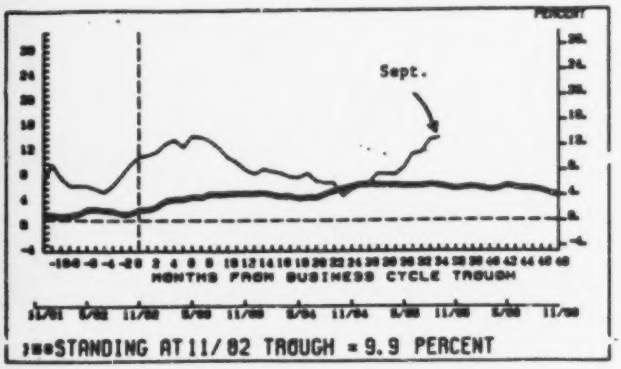


CHART 60
MONEY SUPPLY (M2), GROWTH RATE

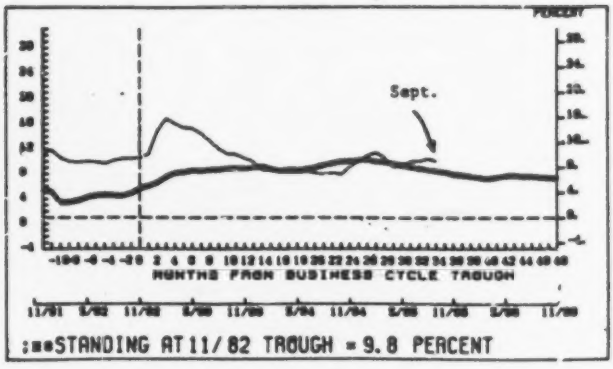


CHART 61
TREASURY BILL RATE (3-MONTH)

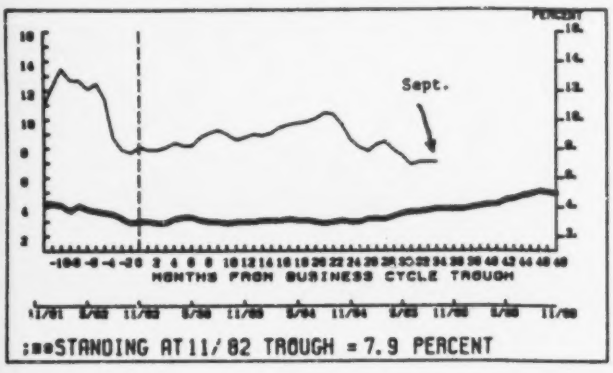


CHART 62
NEW CORPORATE BOND YIELD (AA)

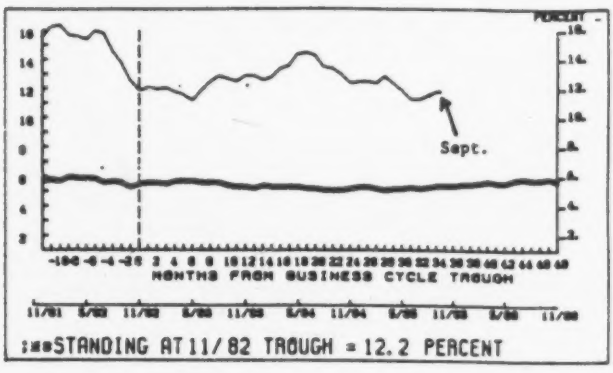
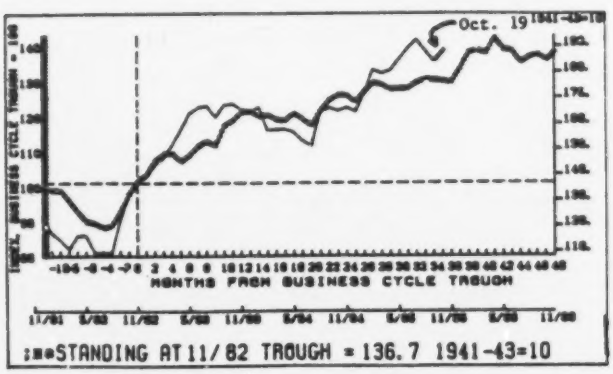


CHART 63
COMMON STOCK PRICE INDEX (S&P 500)



CIBCR **RECESSION-RECOVERY WATCH...**

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ABOUT THIS REPORT

RECESSION-RECOVERY WATCH is a bimonthly report designed to analyze current business cycle trends in terms of previous recession or recovery patterns in the United States.

This report was begun in August 1979, under the direction of Dr. Geoffrey H. Moore, following the methodology for measuring recessions developed at the National Bureau of Economic Research. Although no forecasts are made, the materials in this report do permit glimpses into the future: first by analyzing the behavior of various leading indicators; second, by indicating what is likely to happen in terms of what did happen in previous recessions and recoveries.

The leading indicators used in this report are relevant to future output and employment because they represent actions taken, like the placing of orders, that will result in future output, or because they reflect factors, like profits, that influence future decisions on output. The record of what happens during the latter stages of business cycles is relevant because of the family resemblance among successive cycles, a resemblance that has its origin in the processes by which business cycles are generated. Every business cycle has its own surprises, partly because of policy actions taken, but many developments are not surprising, having occurred many times before. The historical comparisons contained in this report help one anticipate what is typical and distinguish it from the unusual.

A 1985 Supplement to Recession-Recovery Watch contains a detailed set of tables analyzing the behavior of all the indicators in this report during each cycle from 1948 to 1985.

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